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Current Support Brief

THE EFFECT OF FRENCH RECOGNITION  
OF COMMUNIST CHINA  
ON SINO-FRENCH TRADE PROSPECTS



CIA/RR CB 64-12

February 1964

CENTRAL INTELLIGENCE AGENCY

Office of Research and Reports

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THE EFFECT OF FRENCH RECOGNITION  
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Expansion of Sino-French trade will depend basically on China's ability to expand exports to the Free World and on the ability of French exporters to offer equipment and terms of trade on a competitive basis rather than on the fact of diplomatic recognition. Both parties view recognition as forwarding their respective foreign policy objectives, and probably neither views it as an important contribution to its domestic or international economic development.

In the past, Peiping generally has not granted a favored trade position to countries merely because of recognition. The UK, which has recognized China since 1950, has not received special consideration. In fact, two countries firmly opposed to recognition -- West Germany and Japan -- at times have attained higher levels of trade with China than has the UK. Peiping, however, may feel it has more affinity with France than it has with the UK -- France does not have the "special relationship" that London enjoys with China's major enemy, the US; both China and France are nuclear mavericks, spurning the Test Ban Treaty and attempting to develop their own nuclear deterrents; and recent French statements on neutralization of Southeast Asia have been more encouraging to China than any other statements from Western Europe. It is possible that at times France may have a political edge over its rivals in the China trade, provided it can meet the quality and price specifications of its competitors. In any event, the establishment of political relations can facilitate trade transactions and technical exchanges. The Chinese Commercial Counselor at Bern (after Edgar Faure's trip to China last fall) stated that the Chinese market offers vast prospects for French products if the French industrial techniques are competitive. He also explicitly reaffirmed China's policy of expanding trade relations with non-Communist as well as Communist countries.

The prospects for expanding Sino-French trade will depend largely on China's ability to revive its economy and trade and on the competitive position of France with respect to other Western nations. In some respects French businessmen lag behind the British and Japanese, who, for example, already have held trade fairs in China, whereas the French are still preparing their first exhibition for later this year. Moreover, British manufacturers seem willing to offer more favorable credit terms. The recent French trade mission to China, however, acknowledged that several years would be required to develop the contacts in Peiping and the knowledge of Chinese requirements that will permit a future buildup in the volume of trade.

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With the collapse of the "leap forward," China's imports of capital goods have been curtailed sharply, and, as a result, total trade with Western Europe has been at extremely low levels since 1960. The fact that China's trade with France has declined much less than its trade with other Western European countries, as shown in the accompanying table, is due to large and abnormal purchases of French grain, which have nearly offset the decline in China's purchases of other French products.

The prospects for total Sino-French trade in 1964 are in one respect not so favorable as the prospects for China's trade with other Western industrial countries. The French already have indicated that they will be unable to export wheat to China in the first half of 1964. If Chinese orders for other French products do not expand sufficiently to match the possible decline in French exports of grain, Sino-French trade may actually fall off in 1964.

Table

Trade of France and Western Europe with Communist China  
1960 and 1962

	Million US \$			
	Exports to China		Imports from China	
	<u>1960</u>	<u>1962</u>	<u>1960</u>	<u>1962</u>
Western Europe <u>a/</u>	<u>335.7</u>	<u>133.9</u>	<u>237.6</u>	<u>164.8</u>
Of which:				
Machinery and equipment	41.0	10.5	Negl.	Negl.
Metals and manufactures	171.5	14.4	10.9	N.A.
France	52.8	43.3	22.7	16.9
Of which:				
Machinery and equipment	9.0	0	0.4	0
Metals and manufactures	33.5	2.0	5.6	4.5
Grains, mostly wheat	0	31.9	0	0

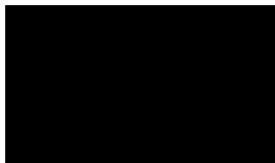
a. Including Belgium - Luxembourg, Denmark, France, West Germany, Greece, Italy, Netherlands, Portugal, Turkey, and the UK.

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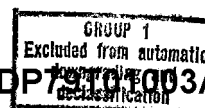
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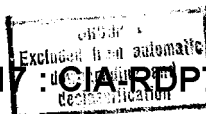
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